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Honorable Mayor and Members
of the City Council
City of Wixom
49045 Pontiac Trail
Wixom, MI 48393

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements for the City of Wixom the year ended June 30, 2003. As a result of our audit, we offer the following observations and comments for your consideration:

Legislative Issues

State Shared Revenue

The City has and will continue to feel the effects of the slow down in the State's economy. State shared revenue is the City's second largest revenue source; at approximately \$1,268,000 it accounts for approximately 14% of the City's total general governmental revenue. In both the 2002 and 2003 fiscal years, because of a continued decline in state tax revenue, the State reduced distributions to local governments.

The State's current budget for fiscal 2004 year (Oct '03-Sept '04) will reduce the City's State Shared Revenue by approximately \$116,000. Fortunately, City Administrative staff has prepared a budget stabilization program that identifies largely capital improvement projects in the area of Parks and Recreation that can be postponed based on the State's revenue reduction.

New Homestead Audit Program

Public Act 105 of 2003 provides new authority for local units of government and the Michigan Department of Treasury to share homestead information to determine if a resident is illegally claiming a homestead exemption on property. As you recall, following the passage of Proposal A in 1994, individuals in Michigan are allowed only one homestead for property tax purposes. A residence which is not an individual's homestead pays property tax at the non-homestead rate. The Michigan Department of Treasury will publish additional guidance related to this new law.



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General Accounting Issues

Budget Administration

The City adopts its annual budget on a departmental/activity basis. The typical practice used by the vast majority of municipalities across the state and complies with the State Budget Act. However, based on past practice and historically, the Administration takes line-item budget amendments within departments or activity to City Council for approval. Most municipalities do not require legislative body approval of these intra-departmental/activity budget amendments.

This process should be streamlined by giving the Administration authorization to approve intra-departmental/activity budget amendments that do not increase the department or activity total budget with City Manager review and approval. This change in process will eliminate the paperwork associated with minor intra-departmental and activity amendments. Department heads will request intra-department or activity budget amendment approval through the City Manager. The City Manager and Finance Department will then assure that the intra-departmental and activity amendments do not result in increases in total departmental/activity budgets.

We would like to thank the City personnel for the courtesy and assistance extended to us during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

Plante & Moran, PLLC



Jeffrey Mengel



Joseph C. Heffernan